

THE BASIC ECONOMIC SECURITY TABLES™

FOR MICHIGAN

Measuring Economic Security

The *Basic Economic Security Tables™ (BEST) Index for Michigan* measures the incomes and assets Michigan workers and families require to achieve economic security over a lifetime and across generations. The BEST uses public data sources to measure the cost of making ends meet, expense by expense, in families' local communities. The BEST points to the importance of career paths that provide higher wages and employment-based benefits and to the importance of savings and assets that promote a family's short- and long-term economic security.

The Michigan League for Human Services, Wider Opportunities for Women (WOW) and the Center for Social Development at Washington University-St. Louis have partnered to

develop a contemporary understanding of the local security needs in Michigan of over 400 different family types.

Wider Opportunities for Women's (WOW) BEST™ Initiative provides tools and resources to national, state and local policy advocates, workforce and economic development practitioners, social service providers, grant-makers, policymakers and opinion-leaders who help low- and moderate-income workers achieve long-term economic security. WOW has produced measures of financial well-being for more than 15 years and in over 40 states and has partnered with the Michigan League for Human Services, a Lansing-based research and advocacy organization to produce and release the Michigan BEST report.

Meeting Basic Expenses

The core BEST Index contains basic budget items essential to all workers' health and safety: housing, utilities, food and essential personal and household items such as clothing, household products and a landline telephone. Because the BEST is an exploration of the minimum income families require to achieve security, it assumes that single heads of household and both adults in a two-adult household work outside of the home; all BEST workers therefore incur transportation costs, and all parents with children must pay child care costs. Workers also pay federal and state taxes, net of tax credits, on the income needed to pay for their basic needs.

The figure to the right details the statewide average cost of each of these expenses for a single worker with employment-based benefits.

To further our understanding of worker expenses and income needs, the BEST also calculates separate income requirements for workers with and workers without access to employment-based benefits. Receipt of benefits—namely em-

ployer-sponsored health insurance and employment-based retirement plans—can be critical to short- and long-term economic security, and can prevent workers from suffering marked declines in stability, or even impoverishment.

The BEST also distinguishes between workers who are and are not covered by unemployment insurance—the latter require additional emergency savings to cover gaps during periods of unemployment.

Basic Economic Security Tables, 2010 (Workers with Employment-based Benefits)

Michigan

| Monthly Expenses for: 1 Worker | |
|-----------------------------------|-----------------|
| Housing | \$470 |
| Utilities | \$140 |
| Food | \$233 |
| Transportation | \$562 |
| Child Care | \$0 |
| Personal & Household Items | \$227 |
| Health Care | \$140 |
| Emergency Savings | \$60 |
| Retirement Savings | \$38 |
| Taxes | \$346 |
| Tax Credits | -\$62 |
| Monthly Total | \$2,154 |
| Annual Total | \$25,848 |
| Hourly Wage | \$12.24 |
| Additional Asset Building Savings | |
| Children's Higher Education | \$0 |
| Homeownership | \$99 |

Note: "Benefits" include unemployment insurance and employment-based health insurance and retirement plans.



Wider Opportunities for Women, 1001 Connecticut Ave. NW, Suite 930, Washington, DC, 20036
Tel. (202) 464-1596 - Fax. (202) 464-1660 - www.wowonline.org

Michigan League for Human Services, 1223 Turner St, Suite G1, Lansing, MI 48906-4369
Tel. (517) 487-5436 - Fax. (517) 371-4546 - www.milhs.org



Michigan League FOR Human Services

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Asset Building

Economic security means having sufficient savings and assets to weather periods of financial difficulty and make investments to move up the economic ladder. The BEST calculates the minimum necessary emergency savings families need to deal with financial crises, without seeking high-cost credit, and the savings required for a secure retirement. WOW projects the future cost of retirement based on WOW's Elder Index, which often highlights the inadequacy of Social Security and the need for lifelong retirement savings.

The BEST also calculates savings for a child's education and for homeownership, long considered foundations of the American dream. The BEST cost for education savings is the monthly cost of saving for a child to attend a community college and public university without loans. The cost of home-

ownership is calculated as the cost of a low-risk 20% down payment and closing costs on a modest home in each Michigan county and in Detroit.

Figure 5: Michigan Basic Economic Security Tables for 2 Workers, 1 Preschooler and 1 Schoolchild vs. Michigan Benchmark Incomes, 2010

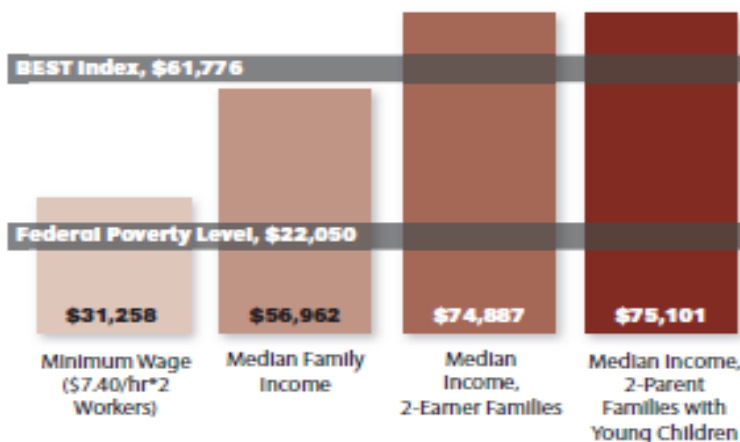


Table 1: Basic Economic Security Tables, 2010
(Workers with Employment-based Benefits)

Michigan, Selected Family Types

| Monthly Expenses | 1 Worker | 1 Worker, 1 Infant | 1 Worker, 1 Preschooler, 1 Schoolchild | 2 Workers | 2 Workers, 1 Preschooler, 1 Schoolchild |
|--|-----------------|--------------------|--|-----------------|---|
| Housing | \$470 | \$567 | \$567 | \$470 | \$567 |
| Utilities | \$140 | \$170 | \$170 | \$140 | \$170 |
| Food | \$233 | \$335 | \$505 | \$428 | \$676 |
| Transportation | \$562 | \$641 | \$641 | \$1,026 | \$1,110 |
| Child Care | \$0 | \$599 | \$1,119 | \$0 | \$1,119 |
| Personal & Household Items | \$227 | \$289 | \$335 | \$280 | \$381 |
| Health Care | \$140 | \$246 | \$348 | \$280 | \$408 |
| Emergency Savings | \$60 | \$94 | \$132 | \$86 | \$145 |
| Retirement Savings | \$38 | \$38 | \$38 | \$82 | \$82 |
| Taxes | \$346 | \$558 | \$757 | \$389 | \$824 |
| Tax Credits | -\$62 | -\$187 | -\$301 | -\$119 | -\$334 |
| Monthly Total (per Worker) | \$2,154 | \$3,350 | \$4,311 | \$1,531 | \$2,574 |
| Annual Total | \$25,848 | \$40,200 | \$51,732 | \$36,744 | \$61,776 |
| Hourly Wage (per Worker) | \$12.24 | \$19.03 | \$24.49 | \$8.70 | \$14.63 |
| Additional Asset Building Savings | | | | | |
| Children's Higher Education | \$0 | \$81 | \$162 | \$0 | \$162 |
| Homeownership | \$99 | \$120 | \$120 | \$99 | \$120 |

Notes: Values are statewide average BEST values for Michigan. *Benefits* include unemployment insurance and employment-based health insurance and retirement plans.

Uses of the BEST

The BEST provides income targets that define economic security incomes and help define good jobs. It also provides unique targets for savings which insulate families from poverty and contribute to long-term security. The figure to the left also demonstrates how the BEST compares as measure of security to the Federal Poverty Level, a measure of deprivation. In many cases, the BEST wage is two to three times higher than the Federal Poverty Level.

The BEST Index is a starting point for workers who want to achieve financial stability and for the policy makers, advocates, researchers, and service providers who help workers build economic security.



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Uses of the BEST

Users of the BEST can improve lives by:

- Benchmarking wages, worker welfare and local economic stability
- Evaluating economic development and economic development opportunities
- Identifying jobs and careers that provide the economic security wages that support stable communities
- Evaluating education and training needs
- Evaluating and improving the efficacy of publicly funded programs
- Improving workers' and students' financial planning
- Helping those working on policy issues across the life course, from early childhood to aging, find common ground and a common language
- Promoting the savings that creates essential short- and long-term asset building and economic stability
- Changing the public's understanding of economic security
- Identifying who is and is not participating fully in local economies
- Creating far-sighted public policy

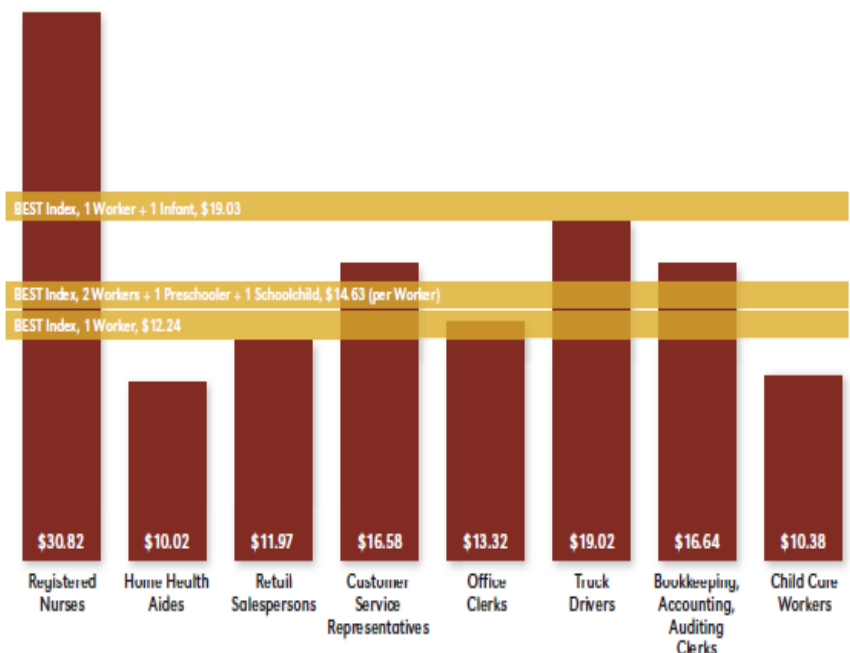
What does the BEST mean for Michigan?

The BEST can help workers and families plan budgets, create savings strategies, and identify career paths that allow them to build economic security. Similarly, the BEST can help policy makers develop economic development strategies and public policies to help Michigan families build economic security, and not hinder them.

As an example, the figure to the right, taken from the Michigan BEST report, highlights occupations projected to see high job growth over the next seven years. It also compares the average wages of these eight high-growth careers to the economic security wages of three family types. A minority will allow workers with children to achieve economic security, meaning more workers will rely on second jobs and public assistance to fill the gap. The growth of low-wage jobs is a growing and unfortunate trend refuting the belief that hard work and a paycheck provide economic security and a place in the middle class.

Armed with BEST data, advocates and service providers can inform and influence the workers, families, policy makers

Figure 7: Michigan Basic Economic Security Tables vs. 2009 Average Wages of Selected Michigan Occupations with High Projected Annual Growth through 2018



and opinion leaders of Michigan to rethink what constitutes economic security, and develop policies and programs which help hardworking Michigan families achieve that security.



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